

HB 5811
Testimony of Tanya Paslawski
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Before the House Committee on Energy and Technology

Good Morning Chairman Nofs and Honorable Members of the Committee. My name is Tanya Paslawski and I am the Manager of Government and Regulatory Affairs for Direct Energy Services, a licensed gas and electric supplier in the state of Michigan. Direct is involved in 11 state energy markets in the US and 4 Canadian provinces serving approximately 5 million customer relationships throughout North America. Direct currently supplies the natural gas needs of about 88,000 Michigan households and businesses and is evaluating the Michigan electric market for entry.

I appreciate the opportunity to appear before you this morning on behalf of Direct to speak in support of House Bill 5811. This amendment to section 113 of the Home Solicitation Sales Act (HSSA) will update a 35 year old law to recognize the immense changes that have taken place in the energy industry during that time. The Home Solicitation Sales Act was written in 1971, long before competitive energy markets were established in the late 1990's. As the gas and electric markets were being opened to competition by the Michigan Legislature and Public Service Commission (PSC), care was taken to ensure that residential customers could experience the benefits of alternative energy options while receiving the additional protection they deserve from improper business practices.

There are a number of specific rules and regulations that apply to competitive energy providers and I'd like to take a moment to highlight some of the main provisions for you.

- Licensing by the PSC in which a company's technical, financial, and managerial capabilities must be shown in order to do business in the state. **The PSC can also revoke the license for failure to comply with any program requirements.**
- Penalty provisions for slamming, cramming, and deceptive marketing practices:
 - A minimum of \$20,000 and maximum of \$30,000 for the first offense
 - Up to \$70,000 for the second and subsequent offenses.
- Enrollment and disclosure rules that require a supplier to prove that the customer made a knowing agreement to the essential terms of the contract including a follow-up letter which reiterates the terms of the agreement and customer's cancellation rights.
- A 30 day penalty-free cancellation period in natural gas and a three day period (the same as that provided for in the HSSA) applies for electric service.

The Home Solicitation Sales Act is a broad statute that provides a backstop of protection for residential customers against unscrupulous sales practices, defective or inadequate merchandise, and unintended purchase of goods or services in their homes. It is well fashioned to address the door-to-door aluminum siding or vacuum cleaner salesman. However, the statute properly exempts a number of industries and activities that are subject to specific oversight to avoid multiple layers of regulation which can hamper business development. If this bill is passed, competitive energy suppliers would join licensed insurance agents, licensed real estate brokers,

those selling securities and security interests, accounts with federally insured depository institutions, offers of credit, and telecommunications services in exemption because all are already subject to specific regulation by state or federal law or agency regulations. Further, because this exemption only applies to section 113, competitive energy providers will still be required to comply with the do-not-call list and other consumer protections contained in the statute.

House Bill 5811 will bring certainty to the competitive energy industry in Michigan regarding what regulations apply to customer enrollments while maintaining the specific consumer protections that were established to govern these commodities. This legislature delegated the management of the details associated with the provision of competitive energy to the PSC in PA 634 of 2002 for gas and PA 141 of 2000 for electricity and the PSC responded by establishing and approving rules for, among other things, licensing, enrollment, and participant behavior. House Bill 5811 is good for competition and good for customers.

Thank you again for your time this morning. I'll be happy to answer any questions you have.